

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUN 26 2013**

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May 28, 2013

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Gravity Drainage
District #1
Livingston Parish Council
Denham Springs, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement of the General Fund of the Livingston Parish Gravity Drainage District # 1, "the District", a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Modified Opinion

As described in Note 11 to the financial statements, management has not recorded an estimated expenditure, liability, revenue or receivable related to Hurricane Gustav debris removal services received under a cooperative endeavor agreement between the Livingston Parish Council and the Livingston Parish Gravity Drainage District #1. Documentation related to the costs associated with these services has not been provided by the Livingston Parish Council or the debris removal contractors for management to be able to estimate and record the estimated amounts in the financial statements.

Accounting principles generally accepted in the United States of America require that an adequate estimate be reported in the financial statements for receivables, liabilities, revenues and expenditures to account for the debris removal services and the associated grant reimbursements. The amount by which this departure would affect the assets, liabilities, fund balances, net position, revenues, and expenditures of the Government-Wide and the General Fund is not reasonably determinable as sufficient documentation was not available to adequately estimate the financial transactions.

Opinions

In our opinion, except for the effect of the matter described in the "Basis for Modified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (the General Fund) of the Livingston Parish Gravity Drainage District # 1 as of December 31, 2012, and the budgetary comparison statement of the General Fund and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Livingston Parish Gravity Drainage District #1's December 31, 2011 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 8, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Harris J. Bougeois, CPA

Livingston Parish Gravity Drainage
District #1
Denham Springs, Louisiana
Management Discussion and Analysis
December 31, 2012

This section of the Livingston Parish Gravity Drainage District #1's (the District) annual financial report presents our discussion and analysis of the District's activities for the year ended December 31, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the detailed financial statements.

FINANCIAL HIGHLIGHTS

- * Net Position on December 31, 2012 was \$3,506,386
- * The Net Position of the Governmental Activities showed an increase of \$194,727 representing an 5.88% increase in 2012.
- * The total general fund balance at December 31, 2012 was \$2,165,537. This reflects an actual increase in 2012 of \$300,054 or 16.08% mainly caused by increases in ad valorem tax and sales tax collections for 2012.
- * At the end of 2012, Unassigned General Fund Balance of \$2,092,490 represents 147.37% of total General Fund Expenditures.
- * The District had an 8.72% increase in the amount of sales tax revenue in 2012. The sales tax revenue totaled \$987,580 in 2012 and \$908,384 in 2011 representing 57.42% and 55.49% of the total revenues in each of the respective years.
- * The District had a 2.31% increase in the amount of ad valorem tax revenue in 2012. The ad valorem revenue totaled \$686,319 in 2012 and \$670,821 in 2011 representing 39.90% and 40.98% of the total revenues in each of the respective years.

OVERVIEW OF FINANCIAL STATEMENTS

The management discussion and analysis are intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and accrued but unpaid interest)

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The District has one fund, the General Fund, which is a governmental type fund

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget

The basic governmental fund financial statements can be found on pages 12 through 18 of this report.

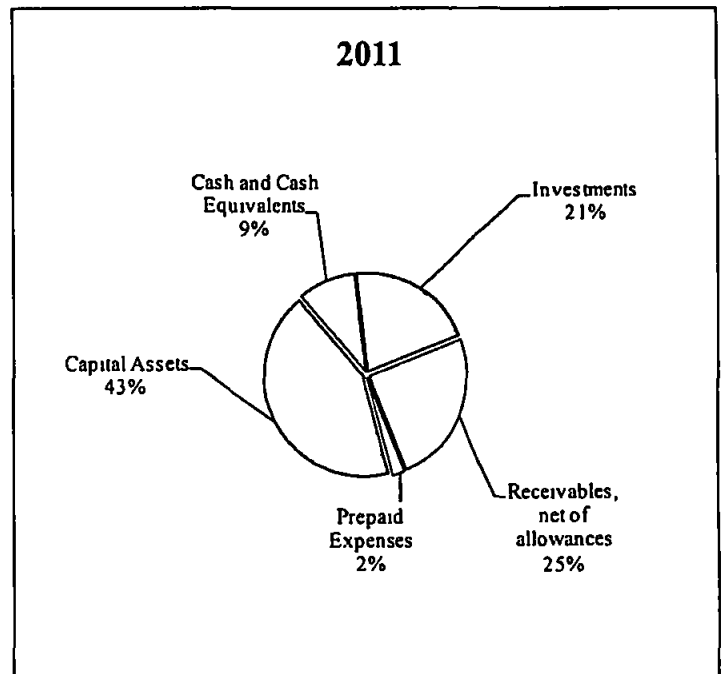
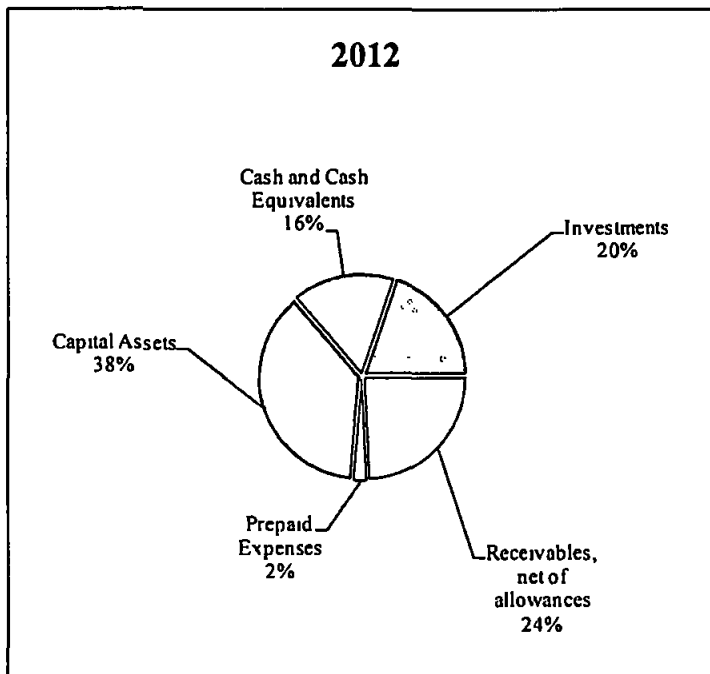
Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 31 of this report

STATEMENT OF NET POSITION

The following is a schedule of the District's net position at December 31, 2012 and 2011. Net position is calculated by taking the difference between the total assets and total liabilities. The District's assets exceeded its liabilities at the close of 2012 and 2011 by a total of \$3,506,386 and \$3,311,659, respectively.

Condensed Statements of Net Position

	<u>2012</u>	<u>2011</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 584,866	\$ 316,561	\$ 268,305
Investments	704,594	699,031	5,563
Receivables, net of allowances	873,041	841,741	31,300
Prepaid Expenses-Inventory	73,047	65,838	7,209
Capital Assets, Net of Accumulated Depreciation	<u>1,340,849</u>	<u>1,446,176</u>	<u>(105,327)</u>
Total Assets	3,576,397	3,369,347	207,050
Current Liabilities	<u>70,011</u>	<u>57,688</u>	<u>12,323</u>
Total Liabilities	70,011	57,688	12,323
Net Position			
Invested in Capital Assets, Net of Related Debt	1,340,849	1,446,176	(105,327)
Unrestricted	<u>2,165,537</u>	<u>1,865,483</u>	<u>300,054</u>
Total Net Position	\$ <u>3,506,386</u>	\$ <u>3,311,659</u>	\$ <u>194,727</u>



STATEMENT OF ACTIVITIES

The District is committed to previous years' goals of accomplishing proper maintenance to the existing infrastructure canal and ditch systems for drainage. Various improvement projects at certain sites were undertaken as well as the continued ongoing clearing, spraying, and general improvement to drainage areas. The extreme growth in the number of homeowners along with business establishments in the District and the new challenges and demands for better drainage of water flow throughout the District is currently challenging management to improve all areas for drainage. Improving methods of clearing, cleaning, and maintaining existing canals is management's priority. Lower areas are being developed and the general population is occupying these areas in large numbers. As the growth continues within the District, due diligence and expenditure of resources will be a priority to secure proper drainage for all. Increased staff and equipment purchases will be made in the years ahead to achieve the goal of proper drainage. In 2009, the District was faced with severe debris remaining in the southern main tributary (Gray's Creek) due to Hurricane Gustav. US Corps of Engineers issued an application for the District to follow a plan to begin removal of the debris over a five year program. The District has accomplished this project during 2012 with the equipment purchased in recent years. The District is now focusing on the routine maintenance of problem drainage areas in District.

The majority of the funding for the District's operation and maintenance is provided by sales taxes on public sales within the boundaries of the District. The District collects a one-half cent sales and use tax within the boundaries of the District which is placed into the general fund. The District's voters passed a renewal of the 5 mill Ad Valorem property tax in 2010 and collected 4.85 mills in 2012. The funds are used to pay for the operation and maintenance of the drainage systems and asset purchases. Other sources of revenue result from interest earned and governmental revenue sharing amounts. The District does not have any debt.

Condensed Statements of Activities

	<u>2012</u>	<u>2011</u>	<u>Increases (Decreases)</u>
Revenues			
General Revenues	\$ <u>1,719,970</u>	\$ <u>1,649,379</u>	\$ <u>70,591</u>
	1,719,970	1,649,379	70,591
Expenses.			
Public Works	1,299,893	1,194,948	104,945
Depreciation	<u>225,350</u>	<u>197,123</u>	<u>28,227</u>
	<u>1,525,243</u>	<u>1,392,071</u>	<u>133,172</u>
Change in Net Position	\$ <u><u>194,727</u></u>	\$ <u><u>257,308</u></u>	\$ <u><u>(62,581)</u></u>

REVENUES

- * Sales and use tax revenue increased by \$79,196 or 8.72 % in 2012 from the previous year. Ad valorem taxes increased by \$15,498 or 2.31%, while interest revenues decreased by \$1,606 or 12.40%.

EXPENSES

Total expenses for 2012 increased by \$133,172 (net). This net increase in operating expense was because of the following:

- * Salaries and employee related expenses increased by \$48,819.
- * Depreciation expense increased \$28,227 in 2012 due to purchases of major capital additions in 2011.
- * Health insurance, retirement costs, fuel costs, and supplies all increased substantially by a total of \$42,543 in 2012 along with some category decreases (insurance).

BUDGETARY HIGHLIGHTS

- * The final amended budget for revenues in 2012 reflects an increase of \$52,700. This was caused by a greater than expected upturn in local sales tax revenue collections from original adopted budget totals and a decrease in expected interest revenue projected for 2012.
- * In 2012, the District received \$50,770 more than the final amended revenue budget or a 3.04% favorable variance and in 2011 revenues were more than the final amended revenue budget by \$32,495 or 2.03% favorable variance.
- * In 2012, the final amended budget for expenditures reflects a decrease of \$162,400 as compared to a decrease of \$114,900 for the final amended budget for expenditures in 2011. The 2012 final amended budget reflected a decrease in capital outlay expenditures in the amount of \$188,000 since special equipment was not purchased in 2012 and an increase of approximately \$25,600 caused by higher than expected fuel and supplies.
- * Total actual expenditures in 2012 were less than the final amended budget by \$12,684 or .89%, while in 2011 total expenditures were less than the final amended budget by \$27,352 or 1.76%.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2012 and 2011 amounts to \$1,340,849 and \$1,446,176 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total net decrease in the District's cost of investment in capital assets for 2012 was \$105,327 or 7.28%.

2012 Total cost of additions equaled \$120,023
Equipment purchased amounted to \$120,023

Depreciation expense for 2012 amounted to \$225,350

FUTURE EXPENSES

The District is committed to previous years' goals of accomplishing proper maintenance to all major canals, ditches, and lateral drainage channels for the new population demand being experienced within the District. The extreme growth in the number of homeowners in the District and the additional drainage impact effects from new development will require additional cleaning of major drainage channels. Focusing attention on canals which are holding surface water or causing delayed drainage will be pursued by the District in the future with the resources available. Increased expenditures for engineering, employee salaries, general supplies, and capital outlay for related maintenance equipment is estimated in 2013 and beyond. In 2012, improvement expenditures to fulfill the debris removal tasks were spent to accomplish the Gray's Creek Refurbishment Project. Management's commitment with the resources available will only improve the standard of living for the District's citizenry relating to drainage issues. The District adopted a budget amount equal to \$300,000 for Capital Outlay in 2013 to accomplish the goals stated above. This larger capital outlay budget is designated for specialized equipment to handle debris removal in wetland sensitive areas of Gray's Creek and other major channels as ongoing maintenance is performed. A new working relationship is being improved relating to the US Corps of Engineers and the District to be in compliance with all laws as maintenance is performed within the District.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens and creditors with a general overview of the District's finances and reveal the District's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, Post Office Box 1265 Denham Springs, La 70727.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF NET POSITION

DECEMBER 31, 2012
(With Comparative Totals as of December 31, 2011)

ASSETS

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Cash and Cash Equivalents	\$ 584,866	\$ 316,561
Investments	704,594	699,031
Due From Other Governments	32,822	33,188
Ad Valorem Taxes Receivable, Net of Allowance	667,388	657,396
Sales Tax Receivable, Net of Collection Fees	170,043	148,371
Other Receivables	2,788	2,786
Inventory	14,255	17,755
Prepaid Insurance	58,792	48,083
Capital Assets, Net of Accumulated Depreciation	<u>1,340,849</u>	<u>1,446,176</u>
Total Assets	<u><u>\$3,576,397</u></u>	<u><u>\$3,369,347</u></u>

LIABILITIES

Liabilities:		
Accounts Payable	\$ 42,325	\$ 41,765
Accrued Liabilities	<u>27,686</u>	<u>15,923</u>
Total Liabilities	70,011	57,688

NET POSITION

Invested in Capital Assets, Net of Related Debt	1,340,849	1,446,176
Unrestricted	<u>2,165,537</u>	<u>1,865,483</u>
Total Net Position	<u>3,506,386</u>	<u>3,311,659</u>
Total Liabilities and Net Position	<u><u>\$3,576,397</u></u>	<u><u>\$3,369,347</u></u>

The notes to the financial statements are an integral part of this statement

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Governmental Activities:		
Expenses.		
Public Works	\$ 1,299,893	\$ 1,194,948
Depreciation	<u>225,350</u>	<u>197,123</u>
Total Expenses	1,525,243	1,392,071
 General Revenues		
Ad Valorem Tax	686,319	670,821
Sales Tax	987,580	908,384
State Revenue Sharing	29,294	29,681
Net Realized and Unrealized Gains (Losses)		
on Investments	5,427	15,153
Interest	11,350	12,956
Net Gain (Loss) on Sale of Assets	<u>-</u>	<u>12,384</u>
Total General Revenues	<u>1,719,970</u>	<u>1,649,379</u>
Change in Net Position	194,727	257,308
 Net Position - Beginning of Year	<u>3,311,659</u>	<u>3,054,351</u>
 Net Position - End of Year	<u>\$ 3,506,386</u>	<u>\$ 3,311,659</u>

The notes to the financial statements are an integral part of this statement

FUND FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 2012

(With Comparative Totals as of December 31, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 584,866	\$ 316,561
Investments	704,594	699,031
Due From Other Governments	32,822	33,188
Ad Valorem Taxes Receivable, Net of Allowance	667,388	657,396
Sales Tax Receivable, Net of Collection Fees	170,043	148,371
Other Receivables	2,788	2,786
Inventory	14,255	17,755
Prepaid Insurance	<u>58,792</u>	<u>48,083</u>
Total Assets	<u><u>\$ 2,235,548</u></u>	<u><u>\$ 1,923,171</u></u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts Payable	\$ 42,325	\$ 41,765
Accrued Liabilities	<u>27,686</u>	<u>15,923</u>
Total Liabilities	70,011	57,688
Fund Equity:		
Fund Balance,		
Nonspendables		
Inventory and Prepaid Insurance	73,047	65,838
Unassigned	<u>2,092,490</u>	<u>1,799,645</u>
Total Fund Equity	<u>2,165,537</u>	<u>1,865,483</u>
Total Liabilities and Fund Equity	<u><u>\$ 2,235,548</u></u>	<u><u>\$ 1,923,171</u></u>

The notes to the financial statements are an integral part of this statement

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**RECONCILIATION OF THE GENERAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**DECEMBER 31, 2012
(With Comparative Totals as of December 31, 2011)**

	<u>2012</u>	<u>2011</u>
Fund Balances - Total Governmental Fund	\$ 2,165,537	\$ 1,865,483
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund		
Governmental Capital Assets	2,732,332	2,612,309
Less: Accumulated Depreciation	<u>(1,391,483)</u>	<u>(1,166,133)</u>
	<u>1,340,849</u>	<u>1,446,176</u>
Net Position of Governmental Activities	<u>\$ 3,506,386</u>	<u>\$ 3,311,659</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE- GENERAL FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)**

	<u>2012</u>	<u>2011</u>
Revenues:		
Ad Valorem Taxes	\$ 686,319	\$ 670,821
Sales Tax	987,580	908,384
State Revenue Sharing	29,294	29,681
Net Realized and Unrealized Gains (Losses) on Investments	5,427	15,153
Interest	<u>11,350</u>	<u>12,956</u>
Total Revenues	1,719,970	1,636,995
Expenditures:		
Public Works		
Salaries	678,959	630,140
Per Diem-Board Members	9,600	11,600
Payroll Taxes	55,538	52,450
Retirement Contributions	47,911	26,326
Health Insurance	105,677	94,832
Assessor's Pension Fund	26,859	26,506
Business Insurance	89,322	93,417
Fuel	60,138	56,227
Legal and Professional Fees	44,215	44,113
Supplies	64,567	58,365
Miscellaneous	5,834	6,548
Office Supplies	4,122	3,695
Repairs and Maintenance	50,132	40,753
Sales Tax Collection Fees	19,059	18,740
Telephone	10,680	7,425
Uniforms	14,176	11,449
Utilities	<u>13,104</u>	<u>12,362</u>
	1,299,893	1,194,948
Capital Outlay	<u>120,023</u>	<u>332,500</u>

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE- GENERAL FUND (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)**

	<u>2012</u>	<u>2011</u>
Expenditures (Continued):		
Total Expenditures	<u>\$ 1,419,916</u>	<u>\$ 1,527,448</u>
Excess of Revenues over Expenditures	300,054	109,547
Other Financing Sources.		
Proceeds from Sale of Assets	<u>-</u>	<u>12,425</u>
Excess of Revenues and Other Sources Over Expenditures	300,054	121,972
Fund Balance at Beginning of Year	<u>1,865,483</u>	<u>1,743,511</u>
Fund Balance at End of Year	<u><u>\$ 2,165,537</u></u>	<u><u>\$ 1,865,483</u></u>

The notes to the financial statements are an integral part of this statement

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GENERAL FUND
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)**

	<u>2012</u>	<u>2011</u>
Net Change in Fund Balances - Total Governmental Fund	\$ 300,054	\$ 121,972
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between capital outlays and depreciation in the period.</p>		
Capital Outlays	120,023	332,500
Depreciation Expense	<u>(225,350)</u>	<u>(197,123)</u>
	(105,327)	135,377
Add accumulated depreciation on capital assets retired during the year	-	111,072
Less cost basis of capital assets retired during the year	<u>-</u>	<u>(111,113)</u>
	-	(41)
Change in Net Position of Governmental Activities	<u>\$ 194,727</u>	<u>\$ 257,308</u>

The notes to the financial statements are an integral part of this statement

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 680,000	\$ 675,000	\$ 686,319	\$ 11,319
Sales Tax	900,000	960,000	987,580	27,580
State Revenue Sharing	29,000	29,500	29,294	(206)
Net Realized and Unrealized Gains (Losses) on Investments	-	-	5,427	5,427
Interest	7,500	4,700	11,350	6,650
Total Revenues	1,616,500	1,669,200	1,719,970	50,770
Expenditures:				
Public Works:				
Salaries	680,000	680,000	678,959	1,041
Per Diem- Board Members	12,000	12,000	9,600	2,400
Payroll Taxes	58,000	58,000	55,538	2,462
Retirement Contributions	35,000	41,000	47,911	(6,911)
Health Insurance	100,000	106,000	105,677	323
Assessor's Pension Fund	25,000	26,600	26,859	(259)
Business Insurance	110,000	110,000	89,322	20,678
Fuel	60,000	64,000	60,138	3,862
Legal and Professional Fees	52,000	50,000	44,215	5,785
Supplies	65,000	66,000	64,567	1,433
Miscellaneous	6,000	5,500	5,834	(334)
Office Supplies	6,000	3,800	4,122	(322)
Repairs and Maintenance	31,000	37,000	50,132	(13,132)
Sales Tax Collection Fees	20,000	20,000	19,059	941
Telephone	8,000	11,700	10,680	1,020
Uniforms	12,000	14,000	14,176	(176)
Utilities	15,000	15,000	13,104	1,896
	1,295,000	1,320,600	1,299,893	20,707

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Expenditures (Continued):				
Capital Outlay	300,000	112,000	120,023	(8,023)
Total Expenditures	1,595,000	1,432,600	1,419,916	12,684
Excess of Revenues Over Expenditures	21,500	236,600	300,054	63,454
Fund Balance at Beginning of Year	1,865,483	1,865,483	1,865,483	-
Fund Balance at End of Year	<u>\$1,886,983</u>	<u>\$2,102,083</u>	<u>\$2,165,537</u>	<u>\$ 63,454</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012

(1) Summary of Significant Accounting Policies -

Livingston Parish Gravity Drainage District #1 ("the District") is a corporate body created by the Livingston Parish Council on November 22, 1969, as provided by Louisiana Revised Statutes. The purpose of the District is to provide maintenance services to drainage structures within the boundaries of the district. The District is governed by a board of five commissioners.

In October 2010, an election was held whereby the voters of Livingston Parish Gravity Drainage District #1 approved a ten year 5-mill property tax on assessed property within the District which will expire in 2020. Also, on January 15, 2005, a 20-year renewal election was held whereby the voters of the District approved a ½% sales tax. In addition, the District receives State Revenue Sharing funds from State provisions connected to the local property tax election passage.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 30, 2012, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 14, the District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Council and the general government services provided by that governmental unit.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

B Basis of Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the District categorized as a business-type activity.

Basic Financial Statements - Government-Wide Statements

In the government-wide Statement of Net Position, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital-specific grants. The District does not have any program revenues or operating and capital grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

The District uses the following fund type.

Governmental Funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District.

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2012, it is the only fund of the District.

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual -

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of sales taxes, property taxes, state revenue sharing, and interest income. Interest income is recorded when earned. Sales taxes are recorded as revenues when the underlying transaction occurs and meets the availability criteria. Property taxes are recorded as revenues when levied even though a portion of the taxes may be collected in subsequent years. State revenue sharing is recorded when made available.

2. Modified Accrual -

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

D. Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Buildings and Improvements	20 to 40 years
Equipment	5 to 10 years
Vehicles	5 years

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Chairperson of the Board prepares the annual budget which is based on what is expected to be collected during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the District to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment. The 2012 budget was discussed in a public hearing and adopted during a meeting of the Board on December 27, 2011. The amended 2012 budget was discussed in a public hearing and adopted during a meeting of the Board on December 12, 2012.

All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year.

F Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

G. Encumbrances

Encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The Governmental Fund's budget is maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end.

The actual results of operations are presented in accordance with GAAP and the Commission's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. At December 31, 2012, the District had no outstanding encumbrances.

H. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

I. Summary Financial Information for 2011 and Reclassification

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Certain items in the 2011 columns have been reclassified to conform to the presentation in the current year financial statements. Such reclassifications had no effect on the previous reported excess of revenues and other sources over expenditures and other uses or change in net position.

J. Fund Equity

The District implemented the provisions of Governmental Accounting Standards Board Statement No. 54 which redefined how fund balances are presented in fund financial statements, effective January 1, 2011. In the governmental fund financial statements, fund balances are classified as follows:

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact

Restricted - Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors

Committed - Amounts that can only be used for specific purposes determined by a formal action of the District board. These amounts cannot be used for any other purpose unless the District board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed

Assigned - Amounts that are designated as committed by the District board but are not spendable until a budget ordinance is passed.

Unassigned - All amounts not included in other spendable classifications. The District board has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum level

The details of the fund balances are included in the Balance Sheet - General Fund (page 12). As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the District board or the assignment has been changed by the District board. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

(2) Cash, Cash Equivalents and Investments -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities less than 90 days. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash and certificates of deposit with maturities less than 90 days totaling \$587,515 with a carrying amount of \$584,866 at December 31, 2012.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

As of December 31, 2012, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Municipal Government						
Bonds	\$ 168,436	\$ 168,036	\$ -	\$ -	\$ -	\$ 168,036
Time Certificates of Deposit	<u>536,558</u>	<u>536,558</u>	<u>536,558</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 704,994</u>	<u>\$ 704,594</u>	<u>\$ 536,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,036</u>

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2012, \$227,100 of the District's bank balance of \$587,515 was exposed to custodial credit risk because it was uninsured. However, \$227,100 of the uninsured amount was collateralized with securities held by the pledging institution's trust department or agent, but not in the entities' name.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments in Time Certificates of Deposits of \$536,558, the government has a custodial credit risk exposure of \$376,478 because the related Time Certificates of Deposits are uninsured. However, \$376,478 of the uninsured amount was collateralized with securities held by the pledging institution's trust department or agent, but not in the entities' name.

(3) Ad Valorem Taxes -

On October 10, 2010, the voters, who live within the boundaries of Gravity Drainage District No. 1 of Livingston Parish, Louisiana, renewed a 5-mill (\$5.00 per \$1,000 of assessed valuation) ad valorem tax to provide funds for the maintenance, improvement, and construction of drainage structures within the District. The tax is effective for a 10-year period (2011-2020).

The ad valorem taxes are levied each November 15 on the taxable assessed value listed as of the prior January 1 for all real and business personal property located within the boundaries of Gravity Drainage District No. 1. Taxable assessed value represents the appraised value of the property less exemptions allowed by law. The Livingston Parish Assessor periodically determines the appraised values.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

As of January 1, 2012, the assessed value of the property located within Gravity Drainage District No 1 of Livingston Parish, Louisiana, was \$143,600,650. For 2012, the District elected to assess 4 85 mills to finance the maintenance, improvement, and construction of drainage structures.

Taxes are due on November 15, the levy date, and they become delinquent on the following January 1. The taxes are generally collected in December of the current year and January through March of the following year. During late April or May, of the year following the year the tax was levied, the Sheriff's office sends out delinquent notices to the property owners. Soon after the Sheriff has mailed the delinquent notices, he will publish them in the newspaper. After a second publication in the newspaper and at least 30 days from the date of the first publication, the property is advertised for auction. The auction usually takes place in June or July. Properties sold at auction have liens placed on them by their buyers. The Parish will put a lien on any properties not sold at the auction.

Total taxes assessed and taxes receivable at December 31, 2012, are as follows:

	General Operations <u>4 85 Mills</u>
<u>Revenues:</u>	
2012 Ad Valorem Tax Assessed	\$ 696,470
Less: 2012 Estimated Uncollectible	(20,641)
Prior Year Collections in Excess of Net Receivable	<u>10,490</u>
	<u>\$ 686,319</u>
<u>Receivable:</u>	
2012 Property Tax Assessed	\$ 696,470
Less: Current Year Taxes Collected in 2012	<u>(8,441)</u>
Taxes Receivable - Current Year	688,029
Prior Years Net Tax Receivables at December 31, 2011	657,396
Less: Prior Years Tax Collected in 2012	(667,886)
Prior Year Collections in Excess of Net Receivable	<u>10,490</u>
Tax Receivable - Prior Years	<u>-</u>
Total Property Taxes Receivable at December 31, 2012	688,029
Less: Allowance for Uncollectible Accounts	<u>(20,641)</u>
Net Property Tax Receivable at December 31, 2012	<u>\$ 667,388</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

(4) Changes in General Fixed Assets -

<u>Governmental Activities</u>	<u>Balance December 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2012</u>
Capital Assets not Being Depreciated:				
Land	\$ <u>158,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>158,288</u>
Total Capital Assets Not being Depreciated	158,288	-	-	158,288
Capital Assets being Depreciated:				
Buildings	489,564	-	-	489,564
Improvements/Infrastructure	377,102	-	-	377,102
Vehicles	287,852	-	-	287,852
Equipment	1,291,853	120,023	-	1,411,876
Furniture and Fixtures	<u>7,650</u>	<u>-</u>	<u>-</u>	<u>7,650</u>
Total Capital Assets Being Depreciated	2,454,021	120,023	-	2,574,044
Less: Accumulated Depreciation for:				
Buildings	(103,938)	(15,503)	-	(119,441)
Improvements/Infrastructure	(80,021)	(18,787)	-	(98,808)
Vehicles	(231,677)	(28,134)	-	(259,811)
Equipment	(743,245)	(162,711)	-	(905,956)
Furniture and Fixtures	<u>(7,252)</u>	<u>(215)</u>	<u>-</u>	<u>(7,467)</u>
Total Accumulated Depreciation	(1,166,133)	(225,350)	-	(1,391,483)
Total Capital Assets Being Depreciated, Net	<u>1,287,888</u>	<u>(105,327)</u>	<u>-</u>	<u>1,182,561</u>
Total Governmental Activities Capital Assts, Net	<u>\$ 1,446,176</u>	<u>\$ (105,327)</u>	<u>\$ -</u>	<u>\$ 1,340,849</u>

Depreciation expense of \$225,350 was charged to the General Operations function in the Statement of Activities.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

(5) Long-Term Debt -

The Livingston Parish Gravity Drainage District #1 has no long-term debt transactions for the year ended December 31, 2012.

(6) Leases -

The District has no outstanding capital or operating leases at December 31, 2012.

(7) Litigation -

At December 31, 2012, there is no litigation pending against the District

(8) Compensated Absences -

The District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. The employees of the District must use all of the compensated leave by year end. At this time, the District has no provision for leave carryover, and if leave is not used at year-end, it is lost. A leave accrual is not required in the District's financial statements because there is not a provision for carryover.

(9) Per Diem Paid Board Members -

Each member of the Board of Commissioners is eligible to receive a per diem allowance of \$100 for attending each regular or special meeting of the board. Per diems paid to the board members for 2012 were as follows.

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
Chad Pope	17	\$ 1,700
David Provost	21	2,100
Carew Harris	22	2,200
Roy Zachary	15	1,500
Jim Benton	21	<u>2,100</u>
		<u>\$ 9,600</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

(10) Pension Plan and Retirement Commitments -

On January 1, 1996, the District adopted the Putnam Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, the District's Board of Commissioners establishes individual retirement accounts with Putnam Investments for each eligible employee to whom the District will make a contribution as determined on a year to year basis. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investments options. The District does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute 9.0% of eligible wages for 2012 which amounts to \$47,911.

(11) Contingency -

On September 19, 2008, the District entered into a Cooperative Endeavor Agreement (CEA) with the Livingston Parish Council (LPC) in accordance with Article VII Section 14 and Article VI Section 20 of the Louisiana Constitution. The purpose of the CEA was for the District to use the services of the contractor hired by the LPC for debris cleanup caused by Hurricane Gustav and to foster greater economy and efficiency than the District hiring its own debris cleanup contractor. According to the CEA, the LPC's debris contractor would remove all debris located within the confines of the District in accordance with the "Debris Removal Agreement" between the LPC and the contractor, and only the debris or areas that the District authorized the contractor to cleanup. According to the terms of the CEA, the District agreed to pay all cost related to the debris removal within the boundaries of its District including any cost declared ineligible for reimbursement by the Federal Emergency Management Agency (FEMA).

The contractor performed debris cleanup services from September 19, 2008 through approximately May 13, 2009, which is the date the LPC's President stopped all debris removal services being performed by the contractor. The total cost of the debris removal services performed by all contractors is the subject of a dispute between the LPC, the debris contractors and FEMA. As of the date of the report, the District has not received detailed invoices to be able to determine the total liability that the District may owe under the terms of the CEA. Due to management not having the necessary invoice documentation to review and approve the debris removal costs associated with services performed within the boundaries of the District along with unresolved matters under dispute between the debris contractors, LPC and FEMA, management is not able to reasonably estimate a liability or estimate the receivable due from FEMA, if any, to record in these financial statements. Although no cost or invoice documentation has been provided to the District, management believes the liability owed and federal reimbursement receivable will likely be material to these financial statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

(12) Current Accounting Pronouncements -

The Governmental Accounting Standards Board issued GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities." This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. This Statement will be required to be adopted by the District for fiscal year ending December 31, 2013.

The Governmental Accounting Standards Board issued GASB Statement No. 66 - "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62." The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This Statement will be required to be adopted by the District for fiscal year ending December 31, 2013.

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27." The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees - both active employees and inactive employees - are provided with pensions. One aspect of that objective is to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations and the resources available to satisfy those obligations. An additional objective of this Statement is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. This statement will be required to be adopted by the District for the fiscal year ending December 31, 2014.

Statement No. 67, Financial Reporting for Pension Plans, establishes standards of financial reporting for defined benefit pension plans and defined contribution pension plans that are used to provide pensions that are within the scope of this Statement. The two Statements are closely related in some areas, and certain provisions of this Statement refer to Statement 68. This Statement will be required to be adopted by the District for fiscal year ending December 31, 2015.

Management is currently evaluating the effects of the new GASB pronouncements scheduled for implementation for fiscal year ending December 31, 2013. Management currently believes the implementation of GASB 65 and 66 will not have a material effect on the District's financial statements.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF THE COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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May 28, 2013

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Gravity Drainage
District #1
Livingston Parish Council
Denham Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Livingston Parish Gravity Drainage District #1, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannu J. Bourgeois, LLP

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2012

Current Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2012

Prior Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None